

Message Text

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ACTION EUR-12

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UNCLAS MONTREAL 624

E. O. 11652: N/A
TAGS: EWWT, CA
SUBJ: TROUBLES FOR PORT OF MONTREAL

1. BEGIN SUMMARY: INDUSTRY SOURCES IN MONTREAL EXPECT US LONGSHOREMEN'S STRIKE TO BENEFIT CANADIAN PORTS. AN INCREASED BUSINESS DUE US STRIKE WOULD BE WELCOMED DEVELOPMENT FOR PORT OF MONTREAL, WHICH HAS BEEN BESET BY PROBLEMS IN RECENT YEARS. BUSINESS IN PORT OF MONTREAL HAS BEEN DECLINING, AND CURRENT DISPUTE WITH CAST NORTH AMERICA, LTD., LARGEST SHIPPER USING MONTREAL PORT, COULD RESULT IN SUBSTANTIAL FUTURE LOSSES. BOTH PROVINCIAL AND FEDERAL GOVERNMENT ARE REPORTED TO BE WORKING BEHIND SCENES TO ACHIEVE AGREEMENT. END SUMMARY.

2. INDUSTRY SOURCES IN MONTREAL EXPECT US LONGSHOREMEN'S STRIKE TO DIVERT SHIPMENTS TO MARITIME AND ST. LAWRENCE RIVER PORTS. GENERAL FEELING HERE IS THAT SELECTIVE STRIKE IN US EAST COAST WILL SPREAD AND THAT IT MAY BE LONG TIME BEFORE SETTLEMENT IS REACHED. DESPITE FACT THAT LONGSHOREMEN HERE BELONG TO INTERNATIONAL LONGSHOREMEN'S ASSOCIATION (ILA), SHIPPING OFFICIALS DO NOT EXPECT UNION SOLIDARITY FOR UNCLASSIFIED

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STRIKERS IN US, AS FOUR OF FIVE MAJOR PORTS IN EASTERN PROVINCES ARE COVERED BY ACT OF PARLIAMENT, WHICH FORBIDS LONGSHOREMEN FROM SLOWING DOWN OR GOING ON STRIKE UNTIL CURRENT LABOR CONTRACT EXPIRES IN DECEMBER. SIMILAR LAW IN HALIFAX BINDS LONGSHOREMEN THERE UNTIL JUNE 1.

3. POSSIBILITY OF EXTENDED US LONGSHOREMEN'S STRIKE IS ONLY

GOOD NEWS PORT OF MONTREAL HAS HAD RECENTLY. BUSINESS IN PORT OF MONTREAL HAS BEEN IN DECLINE SINCE 1970, WHEN SOME 25 MILLION TONS OF GENERAL AND BULK CARGO WERE HANDLED. TOTAL IN 1976 FELL TO 21.1 MILLION TONS, ONE OF WORST YEARS IN HISTORY. LOSSES HAVE REFLECTED LOWER GRAIN SHIPMENTS AS MANY SHIPPERS USED PRIVATELY OWNED ELEVATORS; REDUCED PETROLEUM SHIPMENTS DUE TO FLUCTUATIONS IN WORLD TRADE PATTERNS; AND TUG STRIKES. PREVIOUS LOSS OF BUSINESS TO US PORTS AS RESULT OF LONG SERIES OF PAST STRIKES AFFECTING MONTREAL'S PORT WAS ALSO A FACTOR. PROBLEM HAS BECOME EVEN WORSE IN LAST YEAR DUE TO UNCERTAINTIES ATTENDING QUEBEC'S ECONOMIC AND POLITICAL OUTLOOK; MANAGEMENT DIFFICULTIES LEADING TO RESIGNATION OF THREE SENIOR EXECUTIVES; AND CHARGES THAT HEALTH CONDITIONS IN PORT'S GRAIN FACILITIES ARE WORST IN CANADA.

4. AS IF THESE PROBLEMS WERE NOT ENOUGH, PORT IS CURRENTLY EMBROILED IN BATTLE WITH CAST NORTH AMERICA, LTD., THE LARGEST SINGLE SHIPPER USING MONTREAL PORT FACILITIES, ACCOUNTING FOR ABOUT ONE THIRD OF ALL LOADINGS BY MONTREAL LONGSHOREMEN. CAST HAS STATED THAT IT WISHES TO TRANSFER TWO-THIRDS OF ITS OPERATIONS FROM MONTREAL TO HALIFAX AS RESULT OF FINANCIAL DISPUTE WITH MARITIME EMPLOYERS ASSOCIATION, THE FEDERAL GOVERNMENT-PRIVATE INDUSTRY BOARD WHICH OVERSEES OPERATIONS IN EASTERN CANADIAN PORTS. UNION CONTRACT WITH MEA REQUIRES THAT LONGSHOREMEN BE PAID WHETHER THEY WORK OR NOT. AS RESULT OF JOB SECURITY CLAUSE, MEA NOW OWES MORE THAN DOLS 15 MILLION TO CONSORTIUM OF CANADIAN BANKS, AND IS ATTEMPTING TO MEET ITS OBLIGATIONS BY RAISING ASSESSMENTS ON MEMBER SHIPPERS. AS LARGEST USER OF PORT, CAST OBJECTS TO INCREASED ASSESSMENT, AND HAS THEREFORE DECLARED

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THAT IT WILL TRANSFER TWO-THIRDS OF ITS OPERATIONS TO HALIFAX, WHERE PORT CHARGES ARE LESS. (SAVINGS ON PORT CHARGES ARE OFFSET TO LARGE EXTENT, HOWEVER, BY HIGHER LAND TRANSPORTATION COSTS NEEDED TO GET CARGO TO PORT IN HALIFAX). WHILE CAST MOVE ITSELF WOULD REPRESENT SIGNIFICANT LOSS FOR PORT OF MONTREAL, EVENTUAL LOSSES MIGHT BE EVEN GREATER. CONCERN IS THAT OTHER SHIPPING LINES COULD PROVE UNWILLING TO PICK UP INCREASED ASSESSMENTS THAT MIGHT BE NECESSARY TO OFFSET LOSS OF CAST'S PREVIOUS SHARE, AND WOULD SEEK THEMSELVES TO MOVE TO OTHER PORTS.

5. CAST DISPUTE HAS NOW TAKEN ON POLITICAL OVERTONES, WITH PQ TRANSPORT MINISTER LUCIEN LESSARD STATING THAT FEDERAL GOVERNMENT IS INDIFFERENT TO PROBLEMS OF PORT OF MONTREAL. LESSARD HAS FURTHER CHARGED THAT THERE MAY BE CONFLICT OF INTEREST, AS CROWN-OWNED CANADIAN NATIONAL RAILWAYS WOULD BE ABLE INCREASE ITS PROFITS BY TRANSPORTING CAST CONTAINERS FROM MONTREAL TO HALIFAX, SHOULD CAST MOVE. CONFLICT OF INTEREST CHARGE GAINS SOME CREDIBILITY THROUGH FACT THAT CANADIAN NATIONAL HOLDS 18 O/O

INTEREST IN CAST AND ONE-THIRD INTEREST IN HALTERN, THE HALIFAX TERMINAL WHICH CAST WOULD USE IN HALIFAX. DISPUTE HAS EVEN MADE ALLIES OF QUEBEC ASBESTOS INDUSTRY AND PROVINCIAL GOVERNMENT. ASBESTOS INDUSTRY IS LOBBYING TO FORCE CAST TO STAY IN MONTREAL, AS THEY WISH AVOID MONOPOLY SITUATION WHICH CANADIAN NATIONAL WOULD ENJOY IF ASBESTOS HAD TO BE SHIPPED BY RAIL TO HALIFAX. (NUMBER OF IMPORTANT IMPORTERS OF ASBESTOS IN EUROPE HAVE LONG USED CAST AS SHIPPER). PROVINCE FOR ITS PART IS THREATENING CAST WITH LOSS OF PUBLIC ADMINISTRATION BUSINESS, SUCH AS SHIPMENTS FOR QUEBEC LIQUOR BOARD.

6. INDUSTRY SOURCES HERE BELIEVE THAT OUTCOME OF CAST DISPUTE COULD GO EITHER WAY, BUT THAT ODDS MIGHT BE SLIGHTLY IN FAVOR OF CAST DECIDING TO STAY IN MONTREAL, AS MUCH OF BULK CARGO, AS OPPOSED TO CONTAINERIZED CARGO WHICH CAN BE EASILY TRANSFERRED, WOULD HAVE TO BE HANDLED THROUGH MONTREAL. BOTH PROVINCIAL AND FEDERAL GOVERNMENTS ARE NOW REPORTED TO BE UNCLASSIFIED

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WORKING BEHIND SCENES TO ACHIEVE AGREEMENT.
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